

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 942 - SB 930

March 1, 2015

SUMMARY OF BILL: Authorizes the Ivy Wild and Blue Chair Café & Tavern in Franklin County to sell alcoholic beverages for on-premises consumption.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$300/One-Time/ABC Fund
\$2,000/Recurring/ABC Fund
\$15,700/Recurring/General Fund**

Increase Local Revenue – \$12,000/Recurring/Permissive

Assumptions:

- This bill only applies to Ivy Wild and Blue Chair Café & Tavern in Franklin County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- It is assumed that the establishment will begin selling alcohol in FY15-16.
- Local privilege tax is estimated to be \$1,000 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Franklin County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2013 LBD tax returns generated by the Department of Revenue and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Absent any specific detail data on the size of this venue, an estimate of any additional revenue can only be reasonably generated by applying the average taxable base (\$110,000).
- The recurring increase in state revenue to the General Fund is estimated to be \$15,671 $[(\$110,000 \times 7.0\%) - (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$.

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- The recurring increase in local revenue is estimated to be \$12,004 [$\$1,000 + (\$110,000 \times 2.25\%) + (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)$].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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